



**HĀLĀWAI KŪMAU A KE KŌMIKE HO'okele A HŌ'OIA
KE'ENA KULEANA HO'OKIPA O HAWAII**

**ADMINISTRATIVE AND AUDIT STANDING COMMITTEE MEETING
HAWAII TOURISM AUTHORITY**

**HĀLĀWAI KELEKA'A'IKE
VIRTUAL MEETING**

**Translation, 1:00 p.m.
Wednesday, February 21, 2024 at 1:00 p.m.**

E ho'olele 'iwa'ia ka hālāwai ma o ka Zoom.

Meeting will be live streaming via Zoom.

<https://us06web.zoom.us/j/87833606866>

E noi 'ia paha 'oe e kāinoa me kou inoa a leka uila paha. E 'olu'olu, e ho'okomo i kou inoa piha akā hiki nō iā 'oe ke ho'ohana i ka inoa kapakapa e like me kou makemake.

You may be asked to enter your name or email. The Board requests that you enter your full name, but you may use a pseudonym or other identifier if you wish to remain anonymous.

**Kelepona / Call In: 1-669-444-9171
Helu Hālāwai / Webinar ID: 878 3360 6866**

Hiki i ka lehulehu ke hō'ike mana'o ma o ka palapala a i 'ole ma o ka waha. E kau palena 'ia ka hō'ike mana'o waha (ma ke kino a i 'ole ma o ka Zoom) he 'elima minuke ka lō'ihī no kēlā me kēia kumuhana. E kāinoa no ka hō'ike mana'o waha ma ke pākaukau ho'okipa ma ka lumi hālāwai. E kāinoa no ka hō'ike mana'o waha ma o ka Zoom ma o ke pihi "Q&A."

Members of the public may provide written or oral testimony on agenda items. Oral testimony (in-person or via Zoom) will be limited to five minutes for each testifier per agenda item. Signup for oral testimony via Zoom will be accepted through the Q&A feature on Zoom.

E ho'ohui 'ia nā palapala hō'ike mana'o i hiki ma ka pū'olo hālāwai. E leka uila 'ia nā palapala iā Carole Hagihara-Loo ma carole@gohta.net, a i 'ole, e lawe kino 'ia i ke ke'ena. No nā palapala hō'ike mana'o i hō'ea mai ma hope o ka pa'a o ka pū'olo hālāwai (he 48 hola ma mua o ka hālāwai), e kāka'ahi 'ia nā kope i ke kōmike a e mākaukau no ka 'ike 'ia e ke anaina ma ka hālāwai.

Written testimony received ahead of the preparation of the committee packet will be included in the packet. Email written testimony to Carole Hagihara-Loo at [Carole@gohta.net](mailto:carole@gohta.net) or hand-deliver to the Hawaii Tourism Authority office, 1801 Kalākaua Avenue, 1st Floor, Honolulu, HI 96815. Written testimony received after the issuance of the board packet (48 hours ahead of the meeting) will be distributed to the committee and available for public inspection at the meeting.

PAPA KUMUMANA'O **AGENDA**

1. *Ho'omaka a Wehena*
Call to Order and Opening Protocol
2. *Kikolā*
Roll Call to Announce Name of Participating Board Members and to Identify Who Else is Present with Board Member if Location is Nonpublic
3. *'Āpono Mo'olelo Hālāwai*
Approval of Minutes of the January 24, 2024 Administrative and Audit Standing Committee Meeting
4. *Ka Nū Hou no ke Noi Hō'ōia a ka 'Aha'ōlelo****
Update on the HTA Legislative Audit***
5. *Kūkā a Hana no ka Ho'ololi 'Ana o nā Palapala 'Aelike Limahana no ka Luna Ho'okō Lawelawe Hana, ka Luna Alowelo a me ka Luna 'Ikepili Lehulehu e kāpae aku i ka uku keu ho'okō 'ana****
Discussion and/or Action on Amending the Employment Agreements for the Chief Administrative Officer, Chief Brand Officer, and Public Affairs Officer to Remove Performance Bonus Provisions***
6. *Ho'oku'u*
Adjournment

*** **'Aha Ho'okō:** *Ua hiki i ka Papa Alaka'i ke mālama i kekahi hālāwai kūhelu i kū i ka Hawai'i Revised Statutes (HRS) § 92-4. E mālama 'ia kēia hālāwai kūhelu nei ma lalo o ka § 92-5 (a)(4), § 92-5 (a)(8) and §201B-4(a)(2) no ka pono o ko ka Papa Alaka'i kūkā a ho'oholo 'ana i nā nīnūnē a nīnau i pili i ko ka Papa Alaka'i kuleana me ko ka Papa Alaka'i loio. He hālāwai kūhelu kēia i 'ole paulele 'ia ka 'ikepili a i mea ho'i e mālama kūpono ai i ko Hawai'i 'ano, he wahi i kipa mau 'ia e nā malihini.*

*** **Executive Session:** The Board may conduct an executive session closed to the public pursuant to Hawai'i Revised Statutes (HRS) § 92-4. The executive session will be conducted pursuant to HRS § 92-5 (a) (2), § 92-5 (a)(4), § 92-5 (a)(8) and §201B-4(a)(2) for the purpose of consulting with the board's attorney on questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities; to consider hiring and evaluation of officers or employees, where consideration of matters affecting privacy will be involved; and to discuss information that must be kept confidential to protect Hawai'i's competitive advantage as a visitor destination.

Inā he lawelawe a mea like paha e pono ai ke kīnānā, e ho'oka'a'ike aku me Carole Hagihara-Loo ma (808)-973-2289 a ma ka leka uila e like me ka wikiwiki i hiki, 'a'ole ho'i a ma 'ō aku o ka 'ekolu lā ma mua o ka hālāwai. Inā 'ike 'ia he noi i ka lā ma mua o ka hālāwai, e ho'ā'o mākou e 'imi i ka lawelawe a mea like paha, 'a'ole na'e ho'i e hiki ke ho'ohiki 'ia ke kō o ua noi lā. Ua noa pū kēia ho'olaha ma nā kino 'oko'a e like me ka mea pono.

If you need an auxiliary aid/service or other accommodation due to a disability, contact Carole Hagihara-Loo at (808) 973-2289 or carole@gohta.net as soon as possible, preferably no later than 2 days prior to the meeting. Requests made as early as possible have a greater likelihood of being fulfilled. Upon request, this notice is available in alternative/accessible formats.

E like nō me ka 'ōlelo o ke Kānāwai Hawai'i i ho'oholo 'ia māhele 92-32.7, e mālama ana ke Ke'ena Kuleana Ho'okipa o Hawai'i i kekahi wahi e hiki ai ka po'e o ka lehulehu ke noho a komo pū ma nā hālāwai ma o ka ho'ohana 'ana i ka 'enehana pāpaho (ICT). Aia ana kēia 'enehana pāpaho ma ka papahale mua o ka lumi ho'okipa i mua o ke Ke'ena Kuleana Ho'okipa o Hawai'i ma ka Hale 'Aha. 'O 1801 Kalākaua Avenue, Honolulu, Hawai'i, 96815 ka helu wahi.

In accordance with HRS section 92-3.7, the Hawai'i Tourism Authority will establish a remote viewing area for members of the public and board members to view and participate in meetings held using interactive conference technology (ICT). The ICT audiovisual connection will be located on the 1st Floor in the Lobby area fronting the Hawai'i Tourism Authority at the Hawai'i Convention Center at 1801 Kalākaua Avenue, Honolulu, Hawai'i, 96815.

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Approval of the Minutes of the January 24, 2024 Administrative & Audit Standing Committee Meeting



**ADMINISTRATIVE & AUDIT STANDING COMMITTEE MEETING
HAWAII TOURISM AUTHORITY
Wednesday, January 24, 2024, at 1:00 p.m.**

Virtual Meeting

MINUTES OF THE ADMINISTRATIVE & AUDIT STANDING COMMITTEE MEETING

MEMBERS PRESENT:	Mike White (Chair), Mufi Hannemann (Vice-Chair), David Arakawa, Dylan Ching, Mahina Paishon-Duarte
MEMBERS NOT PRESENT:	James Tokioka (Ex Officio, DBEDT Director)
HTA STAFF PRESENT:	Daniel Nāho'opi'i, Maka Casson-Fisher, Talon Kishi
GUESTS:	Kim Miyoshi, Matthew Oda
LEGAL COUNSEL:	John Cole

1. Call to Order and Opening Protocol

Chair White called the meeting to order at 1:13 p.m. Mr. Casson-Fisher did the opening cultural protocol by stating that on January 24, 1985, Lieutenant Colonel Ellison Onizuka, the first Hawai'i-born astronaut, took Discovery and flew into space successfully. Mr. Casson-Fisher thanked the committee's leadership for taking on tasks and challenges into the unknown space, just like Lieutenant Colonel Onizuka did 39 years ago, and wished for a successful outcome.

2. Roll Call to Announce Name of Participating Board Members and to Identify Who Else is Present with Board Member if Location is Nonpublic

Mr. Kishi conducted the roll call, and members were confirmed in attendance by themselves.

3. Approval of Minutes of the November 22, 2023 Administrative and Audit Standing Committee Meeting

Ms. Duarte made a motion to approve the minutes, and Mr. Ching seconded it. Mr. Kishi conducted the roll call, and the motion passed unanimously.

4. Discussion and Action on HTA's Fiscal Year 2023 Annual Financial and Single Audit Reports

Mr. Kishi introduced the independent auditors, Ms. Kim Miyoshi, an Audit Principal, and Mr. Matthew Oda, the Senior Manager in charge of the audit, from Accuity, a local chartered public accountancy firm. They were to present the results of the financial statement audit and single audit of the HTA for the fiscal year ending June 20, 2023.

At the request of Chair White, Ms. Miyoshi explained that a "single audit" was a compliance audit required because, during the period in question, the HTA had received federal funding and had expended more than \$750,000 of these funds. The purpose of the single audit was to ensure that federal money was spent on allowable expenses and had been reported using the required method. A single audit of the HTA was carried out for the first time in 2023, in respect to the fiscal year 2022. The independent auditors would be presenting a report on the financial statement audit and the single audit.

Mr. Oda explained that the purpose of the presentation was to report the audit results to a responsible body, which was a required communication. Since he would present only the report's highlights, committee members could request more detail if necessary.

The report began with an explanation of the extent of the services carried out by the auditors. They had audited the FY2023 financial statements and carried out a single audit over federal expenditures during FY2023. The documents supplied to committee members contained a draft of these materials and a draft of the single audit and the financial statements audit.

During the year in question, noncurrent assets had increased by \$12 million, primarily due to payments made to the HCC Repairs and Maintenance Fund operated by the third-party management firm ASM.

Vouchers payable had decreased by \$14.4 million because these had been accrued during the previous year.

The amount due to the State Department of Budget and Finance increased by \$35.7 million due to federal funds received during FY2022 and FY2023 but not wholly expended, which lapsed at the end of June 2023. The remaining balance, \$35.7 million, was returned to State Budget and Finance during FY2024.

Unearned revenue decreased by \$45.9 million. Mr. Oda explained this was related to receiving \$60 million of federal grant funds during FY2022. These funds were not recognized as revenue until they were expended. Thus, the unearned balance decreased as the funds were expended. The return of unspent Federal funds previously mentioned to State Budget and Finance also contributed to this reduction in unearned revenue.

The net position of the HTA increased by \$25 million in FY2023 compared with a net decrease of \$46.1 million in FY2022. This was mainly due to increased charges for services, Federal grant revenues, transfers from other State departments, and a decrease in contract expenses.

Regarding statements of activities, charges for services had increased by \$10.7 million, mainly due to an increase in the number of events being held at the HCC, rising towards the pre-COVID level. Federal grant revenue increased by \$31.9 million due to the expenditure of Federal grant funds.

The contract expenses for the HCC decreased by \$10.3 million, mainly due to non-recurring payments for the HCC Repairs and Maintenance Fund which had been accrued during the previous fiscal year.

Transfers from other state departments increased by \$15.3 million since the HCC received this amount of general obligation bond funds to help finance the temporary repair of the HCC's roof.

After giving these details, Mr. Oda outlined the draft financial statement and single audit report. Summarizing the result of the financial statements audit, he stated that the auditors were prepared to issue an unmodified opinion on the HTA's financial statements. Mr. Choy and Mr. Kishi were congratulated for their work preparing these financial statements.

In the forthcoming executive session, Mr. Arakawa asked whether questions would be raised about fraud, waste, and abuse. The auditors responded that they had discussed this issue with Chair White and other committee members. Chair White had agreed that the committee meeting would go into executive session to examine these points.

During this audit exercise, governmental accounting standard GASB Statement No. 96 had been effective. This was similar to the leasing standard, which had been effective in last year's audit and required recognition of assets and liabilities related to subscription-based information technology (IT) arrangements. This had no significant impact on the HTA financial statements since the authority was only involved in very small arrangements of this type.

At the end of the footnotes related to funding, there was a disclosure of risk due to the uncertainty associated with the absence of a budget for FY2024 with general funds coming in, and this reflected some uncertainty about the funding of the HTA's operations in 2024 and beyond.

The second part of the report comprised the results of the single audit. Focusing on the schedule of questions that had been considered, Mr. Oda gave the good news that there were no compliance findings this year and the last year. The audits for both FY2023 and FY2024 had come back clean.

Chair White intervened to clarify that the statement "no compliance findings" meant that "there were no findings of non-compliance." He commented that this was very satisfactory because the HTA staff had faced challenging questions on how to comply with the various requirements of the COVID-19 federal funding that the HTA had received. Chair White congratulated Mr. Choy, Mr. Kishi, and their team on this good result. The staff faced many challenges in dealing with a new source of funding, which came with strict requirements about the timing and method of expenditure.

Ms. Miyoshi presented the remainder of the required communications and stated that the auditors intended to issue an unmodified opinion on the HTA financial statements. The audit had been conducted in accordance with accepted auditing standards and government standards. The audit scope was communicated in the engagement letter and in the contract with the auditor's office.

The auditors identified the following significant risks of material misstatement:

Improper revenue recognition due to fraud;

Management override of controls;

Proper implementation of GASB Statement No. 96 regarding IT subscription service.

Ms. Miyoshi pointed out that identifying these issues was necessary for any audit, not specifically the HTA. Based on their procedures, the auditors had not identified any such

issues in the present audit. The significant accounting procedures used by the authority had been disclosed in Note 1 to the Financial statement, and one new accounting standard had been implemented in FY2023 but had no material impact.

The auditors had evaluated management estimates, including the useful life of capital assets and accrued vacation liability, as well as pension and other post-employment liabilities, and had concluded that the estimates appeared reasonable. No significant unusual transactions had been noted. Some journal entries had been adjusted or reclassified, and these would be attached to the management representation letter, but there were no uncorrected misstatements. The auditors did not observe any difficult or contentious issues requiring outside consultation.

The footnote disclosure of subsequent events was related to the authority's FY2024 funding status.

The auditors informed the committee that because a single audit had been conducted, the audited financial statements would be included with the single audit online submission to be submitted to the Federal Audit Clearing House.

The auditors had no disagreements with management and were not aware of any consultations conducted by management with other accountants. The auditors had not discussed any significant issues with management before their retention and encountered no difficulties during the audit. The auditors did not encounter any material differences or substantial deficiencies and were not aware of any fraud or illegal acts based on their inquiries of management. The auditors confirmed that they were independent of the HTA.

The final item required before the issue of the audit report was a representation letter from management, which was to be provided to Mr. Choy and Mr. Kishi for their signatures before being sent back to the auditors, after which the audit report would be finalized.

Chair White asked for questions from committee members, and Mr. Arakawa stated that he had issues to be discussed in the executive session.

Chair White thanked the auditors and recognized the contribution of Mr. Togashi, the former Finance Director, who was instrumental in managing COVID funding during his tenure. Chair White congratulated the entire team for their effort and recalled that when single audits

were conducted by the County of Maui, a completely clean report was a rare event. The HTA deserved kudos for their clean audit report. In response to a question from Mr. Arakawa, Chair White confirmed that the auditors would be included in the executive session.

Chair White proposed a motion to go into executive session to consider whether there were issues that Board members on the committee believed should be shared and requested Mr. Cole's assistance in framing this motion.

Mr. Cole outlined the reasons for entering the executive session. He stated that the motion would specify that the committee should enter the executive session to conclude Agenda Item 4. Agenda Item 5 should also be discussed in executive session so the Board can consult with their attorneys and professionals on questions pertaining to the Board's duties and liabilities. Mr. Cole also stated that Agenda Items 6 and 7 should be discussed during the executive session under the exemption of §92-5 (a) (2), pertaining to discussions regarding hiring employees or officers where personal privacy matters might be concerned.

Mr. Arakawa proposed a motion that the committee should enter an executive session for the conclusion of Agenda Items 4, 5, 6, and 7. The motion was seconded by Ms. Duarte and carried unanimously.

The committee entered an executive session.

5. Presentation and Discussion on a Request for Audit from the Legislative Auditor ***

6. Discussion and Action Relating to Filling the Position of HTA Chief Brand Officer***

7. Presentation and Discussion of the Process, Time and Details Involved in the Initiation of the Search for HTA President and CEO***

8. Adjournment

Chair White reported that the committee had various discussions regarding confidential matters and personnel issues. The committee would bring these matters to the regular Board meeting on the following day for discussion.

The adjournment was moved by Mr. Arakawa, seconded by Mr. Hannemann, and carried unanimously. The meeting was adjourned at 2:58 p.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sheillane Reyes".

Sheillane Reyes
Recorder